



## SFDR PRINCIPAL ADVERSE IMPACT SOLUTION

### Measure your investments against regulatory-defined Principal Adverse Impact metrics

Comply with the new Sustainable Finance Disclosure Regulations and report on Principal Adverse Impacts, for your products and portfolios distributed in the EU.

The European Union's Sustainable Finance Disclosure Regulation (SFDR) introduces new mandatory and additional reporting requirements against a set of prescribed Principal Adverse Impact indicators on an entity and product level. The regulation aims to improve the level of disclosure regarding responsible investing in the EU, redirecting flows of capital to a more sustainable economy.

ISS ESG has mapped both the mandatory and additional indicators to its ESG solutions, leveraging justifiable proxies in the absence of reported and disclosed data, and commencing further data collection. The SFDR Principal Adverse Impact Solution enables Financial Market Participants to measure the performance of their investments against the regulatory defined indicators and metrics in order to comply with the new disclosure obligations.



### BENEFIT FROM ISS ESG'S DEDICATED SFDR PRINCIPAL ADVERSE IMPACT SOLUTION

- » Security selection for product development and portfolio construction
- » SFDR Level 2 compliance and Principal Adverse Impact reporting obligations
- » Insight into vital ESG metrics which fuel:
  - » Informed voting practices
  - » Enhanced engagement activities

Use our data to report at the portfolio level & quickly provide an overview of individual metrics and indicators.

## Comprehensive & Expanding Coverage of Principal Adverse Impact Indicators\*

### CORPORATES

- 13 out of 14 mandatory indicators
- 14 out of 33 additional indicators

### SOVEREIGNS

- All mandatory indicators
- 6 out of 8 additional indicators

\* Please see further detail on the indicators that will be included within the solution as of April 27, 2021.



### COVERAGE

Rely on ISS ESG's Comprehensive, Dedicated & Standalone **SFDR Principal Adverse Impact Solution**



**7,000 companies**  
For corporate data



**Up to 190 countries**  
Sovereign & supranational assets



### ENHANCED CLIMATE & SOCIAL DATA COVERAGE

approximately  
**25,000**  
Issuers for GHG data

approximately  
**170,000**  
Directorship records

**Powered by data and insights** from a broad range of high-quality research products within the ISS ESG universe.

- ESG Corporate Rating
- ESG Country Rating
- ESG Raw Data
- Climate Research
- Energy & Extractives Screening
- Norm-Based Research
- Governance QualityScore
- Director Data



**COMING SOON:** Automated portfolio reporting and analysis is anticipated to be included within this solution in Q3 2021

**ISS ESG**

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ISS ESG is the responsible investment arm of Institutional Shareholder Services Inc., the world's leading provider of environmental, social, and governance solutions for asset owners, asset managers, hedge funds, and asset servicing providers. With more than 30 years of corporate governance expertise and 25 years of providing in-depth responsible investment research and analytics, ISS ESG has the unique understanding of the requirements of institutional investors. With its comprehensive offering of solutions, ISS ESG enables investors to develop and integrate responsible investing policies and practices, engage on responsible investment issues, and monitor portfolio company practices through screening solutions. It also provides climate data, analytics, and advisory services to help financial market participants understand, measure, and act on climate-related risks across all asset classes. In addition, ISS ESG delivers corporate and country ESG research and ratings enabling its clients to identify material social and environmental risks and opportunities.

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ADVERSE SUSTAINABILITY INDICATORS	INDICATORS	METRIC
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Primary Indicators		
Greenhouse gas emissions	1. GHG Emissions	Scope 1 GHG emissions
		Scope 2 GHG emissions
		From 1 January 2023, Scope 3 GHG emissions
		Total GHG emissions
	2. Carbon footprint	
	3. GHG intensity of investee companies	
Greenhouse gas emissions	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites / operations located in or near biodiversity-sensitive areas where activities of those investee companies negatively affect those areas
Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average
Waste	9. Hazardous waste ratio	Tonnes of hazardous waste generated by investee companies per million EUR invested, expressed as a weighted average
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Social and employee matters	10. Violations of UN Global Compact (UNGC) principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance / complaints-handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises
Social and employee matters	13. Board gender diversity	Average ratio of female to male board members in investee companies
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons

ADVERSE SUSTAINABILITY INDICATORS	INDICATORS	METRIC
CLIMATE AND OTHER ENVIRONMENT-RELATED INDICATORS		
Additional Indicators		
Emissions	2. Emissions of air pollutants	Tonnes of air pollutants equivalent per million EUR invested, expressed as a weighted average
	4. Investing in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement
Water, waste and material emissions	6. Water usage and recycling	Average amount of water consumed and reclaimed by the investee companies (in cubic meters) per million EUR of revenue of investee companies
	7. Investments in companies without water management policies	Share of investments in investee companies without water management policies
Water, waste and material emissions	13. Non-recycled waste ratio	Tonnes of non-recycled waste generated by investee companies per million EUR invested, expressed as a weighted average
	14. Natural species and protected areas	Share of investments in investee companies whose operations affect threatened species
SOCIAL AND EMPLOYEE, RESPECT FOR HUMAN RIGHTS, ANTI-CORRUPTION AND ANTI-BRIBERY MATTERS		
Social and employee matters	1. Investments in companies without workplace accident prevention policies	Share of investments in investee companies without a workplace accident prevention policy
	2. Rate of accidents	Rate of accidents in investee companies expressed as a weighted average
	4. Lack of a supplier code of conduct	Share of investments in investee companies without any supplier code of conduct (against unsafe working conditions, precarious work, child labour and forced labour)
	6. Insufficient whistleblower protection	Share of investments in entities without policies on the protection of whistleblowers
Social and employee matters	8. Excessive CEO pay ratio	Average ratio within investee companies of the annual total compensation for the highest compensated individual to the median annual total compensation for all employees (excluding the highest-compensated individual)
Human rights	9. Lack of a human rights policy	Share of investments in entities without a human rights policy
	10. Lack of due diligence	Share of investments in entities without a due diligence process to identify, prevent, mitigate and address adverse human rights impacts
Anti-corruption and anti-bribery	16. Cases of insufficient action taken to address breaches of standards of anti-corruption and anti-bribery	Share of investments in investee companies with identified insufficiencies in actions taken to address breaches in procedures and standards of anti-corruption and anti-bribery

## ADVERSE SUSTAINABILITY INDICATORS

AREA	INDICATORS	METRIC
APPLICABLE TO INVESTMENTS IN SOVEREIGNS AND SUPRANATIONALS		
Primary Indicators		
Environmental	15. GHG intensity	GHG intensity of investee countries
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law
Additional Indicators		
Social	18. Average income inequality score	The distribution of income and economic inequality among the participants in a particular economy including a quantitative indicator explained in the explanation column
	19. Average freedom of expression score	Measuring the extent to which political and civil society organisations can operate freely including a quantitative indicator explained in the explanation column
Human rights	20. Average human rights performance	Measure of the average human right performance of investee countries using a quantitative indicator explained in the explanation column
Governance	21. Average corruption score	Measure of the perceived level of public sector corruption using a quantitative indicator explained in the explanation column
	22. Non-cooperative tax jurisdictions	Investments in jurisdictions on the EU list of non-cooperative jurisdictions for tax purposes
	24. Average rule of law score	Measure of the level of corruption, lack of fundamental rights, and the deficiencies in civil and criminal justice using a quantitative indicator explained in the explanation column



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